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Letter dated 22 October 2003 from the Secretary-General addressed to the President of the Security Council

I have the honour to refer to Security Council resolution 1511 (2003), in which the Council, inter alia, emphasized that the International Advisory and Monitoring Board (IAMB) referred to in paragraph 12 of resolution 1483 (2003) should be established as a priority. I am pleased to inform the Security Council that I, together with the executive heads of the Arab Fund for Economic and Social Development, the International Monetary Fund and the World Bank, have approved today the terms of reference of IAMB thereby establishing the International Advisory and Monitoring Board. I have the honour to attach herewith a copy of the instrument we jointly signed and the terms of reference approved therein. You will recall that the purpose of IAMB is to promote the objectives set forth in Security Council resolution 1483 (2003) of ensuring that the Development Fund for Iraq is used in a transparent manner for the purposes set out in paragraph 14 of that resolution and that export sales of petroleum, petroleum products and natural gas from Iraq are made consistent with prevailing international market best practices.

The executive heads intend to make the appointment of their representatives to IAMB forthwith and look forward to an early meeting of the International Advisory and Monitoring Board.

(*Signed*) Kofi A. **Annan**

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Annex

Having approved the terms of reference of the International Advisory and Monitoring Board (IAMB) attached hereto, we, the undersigned, hereby establish the International Advisory and Monitoring Board to promote the objectives set forth in Security Council resolution 1483 (2003).

Done at Kuwait City, New York and Washington, D.C., on 21 October 2003.

(*Signed*) Abdlatif Y. **Al-Hamad**
Director General
Chairman of the Board of Directors
Arab Fund for Economic and Social Development

(*Signed*) Horst **Köhler**
Managing Director
International Monetary Fund

(*Signed*) Kofi A. **Annan**
Secretary-General
United Nations

(*Signed*) James D. **Wolfensohn**
President
World Bank

International Advisory and Monitoring Board

Terms of reference

1. Purpose:

The purpose of the International Advisory and Monitoring Board (IAMB) shall be to promote the objectives set forth in United Nations Security Council Resolution 1483 (2003) (resolution 1483) of ensuring that the Development Fund for Iraq (DFI) is used in a transparent manner for the purposes set out in operative paragraph 14 of that resolution and that export sales of petroleum, petroleum products and natural gas from Iraq are made consistent with prevailing international market best practices.

2. Members:

A. The IAMB shall include, as referred to in operative paragraph 12 of resolution 1483, duly qualified representatives of each of the Secretary-General of the United Nations, the Managing Director of the International Monetary Fund, the Director-General of the Arab Fund for Economic and Social Development, and the President of the International Bank for Reconstruction and Development. Each of these institutions shall have one member on the IAMB.

B. The IAMB, after consulting with the CPA Administrator, may appoint up to 5 observers to the IAMB from a list of independent, qualified candidates, which should include Iraqi nationals nominated by the Governing Council of Iraq. Any such appointment shall require unanimous approval of all members of the IAMB.

C. At any meeting of the IAMB, each member may be accompanied by an alternate designated by the executive head of the institution concerned and up to two advisors.

3. Powers and Responsibilities:

A. *Selection of Independent Public Accountants (External Auditor(s))*: The independent public accountants referenced in paragraphs 12 and 20 of resolution 1483 (the "External Auditor(s)") shall be nominated and appointed by the Administrator of the CPA, subject to approval by the IAMB. The selection process for the External Auditor(s) and the terms of reference for the objectives, scope and approach of the External Auditor(s)'s work shall be approved by the IAMB.

B. *Scope of external audits*. The scope of the external audits shall be such as to enable the IAMB to achieve its purpose as set out in 1 above. The scope of the external audits shall encompass: (i) the export sales of oil, petroleum products and natural gas from Iraq (the "Export Sales"), supporting the objective of ensuring that the Export Sales are made consistent with prevailing international market best practices; (ii) the "Oil Proceeds Receipts Account" held by the Central Bank of Iraq at the Federal Reserve Bank of New York; (iii) the DFI (including, but not limited to, all inflows, investments and other assets, disbursements, liabilities and contingencies of the DFI), supporting the objective of ensuring that the DFI is used in a transparent manner in accordance with applicable control procedures; and (iv) disbursements of resources from the DFI, supporting the objective of ensuring that DFI funds are used for the purposes for which they were disbursed. For purposes of (iv), the External Auditor(s) will make (a) a determination as to whether the disbursements from the DFI are duly authorized and received by the designated recipient; and (b) an assessment as to whether the controls (including the requirement to ensure proper records) of the designated recipient are adequate to ensure that disbursements from the DFI are utilized as intended. This assessment shall be carried out as specified in the contract with the external auditor(s).

C. *Audit Evaluation*. The IAMB shall review audit reports prepared by the External Auditor(s) and determine whether the audits were conducted in a satisfactory and comprehensive manner, and in accordance with appropriate standards.

D. *Internal Controls/Financial Reporting*: The IAMB shall monitor the financial reporting and internal controls systems established by the CPA for the areas subject to external audit in 3.B above and advise, as appropriate, the CPA on the adequacy of such systems.

E. Special Audits: The IAMB may decide, when warranted under international best auditing practices, that the External Auditor(s) or other independent public accountants ("special auditor(s)") conduct special audits in all areas of the IAMB's mandate and consistent with the objectives of Security Council resolution 1483. After consulting with the CPA, the IAMB shall establish the terms of reference for the objectives, scope and approach of any such audits, which shall be conducted in accordance with the International Standards on Auditing.

F. *Access to Information*. The IAMB shall have the right to review all financial and other records and access to all personnel relevant to its mandate, including those subject to external audit in 3.B above and including those of the External Auditor(s), any special auditors, and any internal auditors retained by the CPA, as necessary, to fulfill the purposes and functions set forth in these terms of reference.

G. The IAMB, consistent with its terms of reference, shall perform functions similar to those of outside audit committees and may provide information and comments to the Coalition Provisional Authority (CPA) as appropriate to serve the purposes of Security Council resolution 1483.

4. Public Disclosure

A. The IAMB shall ensure that all audit reports envisaged in these terms of reference and the IAMB's comments on such reports are made public.

B. All minutes of meetings and all reports of the IAMB shall be made publicly available within 30 days of being finalized by the IAMB. IAMB members may express dissenting views to be published in the minutes or reports.

C. The IAMB shall take all reasonable steps to ensure the protection of sensitive and confidential materials.

5. IAMB Chair:

A. The IAMB shall choose a Chair from among its members, by unanimity of its members, for a term not to exceed one year.

B. The Chair shall serve as the principal representative of the IAMB in communications with the CPA, the Central Bank of Iraq and other third parties.

C. The Chair shall guide the Secretariat in the preparation and maintenance of all official IAMB records and minutes of IAMB meetings.

D. The IAMB will facilitate the reporting provided for in paragraph 24 of resolution 1483.

6. Meetings and Decisions

A. The IAMB shall determine the frequency and location of its regular meetings, which shall occur, at least, quarterly.

B. Extraordinary meetings shall be convened by the Chair or at the request of any two members of the IAMB.

C. A quorum for any IAMB meeting shall be at least three of the four IAMB members.

D. The intention is for the IAMB to act and make decisions on a consensus basis. To the extent not feasible and unless otherwise specified herein, the IAMB shall make decisions by majority vote of all IAMB members.

E. The IAMB, in its discretion may invite the External Auditor(s), observers, or other relevant parties to attend IAMB meetings.

7 Administrative Coordinator/Secretariat

A. The CPA shall appoint an Administrative Coordinator to handle requests from the IAMB for logistical support to be provided, as appropriate, in connection with IAMB meetings and other general IAMB business.

B. The costs incurred by IAMB members, their alternates and advisors shall be paid by their respective institutions.

C. Reasonable costs, as mutually agreed upon with the CPA, incurred by the External Auditor(s), any special auditor(s), and any technical experts and outside consultants engaged by the IAMB to carry out duties for or on behalf of the IAMB shall be reimbursed with DFI funds.

D. IAMB members and their alternates and advisors shall not be entitled to receive any salary or other compensation from the CPA or DFI for their services.

E. The IAMB shall establish a Secretariat which will be located in Baghdad. The Secretariat shall provide administrative support to the IAMB, including the safeguarding of IAMB minutes and records and internal deliberations and communications of IAMB members. The costs associated with the Secretariat, IAMB meetings and other general IAMB business shall be borne by the four institutions referenced in 2.A above.

8. Amendments, Additional Procedures and Delegations

A. Any amendments to these terms of reference shall require unanimous approval of all IAMB members, after consulting with the CPA, and shall be published by the CPA. The CPA's consent will be required for any amendment that may materially affect the rights or responsibilities of the CPA.

B. The IAMB may adopt other procedures necessary to implement these terms of reference which procedures shall be consistent with these terms of reference. To the extent such procedures may materially affect the rights or responsibilities of the CPA, the IAMB shall consult with the CPA prior to the adoption of such procedures.

C. The IAMB may appoint or call upon technical experts or outside consultants, as necessary, to fulfill the purposes and functions set forth in these terms of reference.

D. In the event of any inconsistency between these terms of reference and the provisions of any CPA decree or regulation including, without limitation, the CPA regulations establishing the DFI and the Program Review Board, the provisions of these terms of reference shall prevail.

9. Establishment and Dissolution

A. Upon unanimous approval of these terms of reference by the Executive Heads of the four institutions referenced in 2.A above, after consulting with the CPA, the IAMB shall be established. The terms of reference of the IAMB shall be published by the CPA.

B. Once an internationally recognized, representative government of Iraq is properly constituted, as specified in resolution 1483, arrangements will be made for the prompt dissolution of the IAMB.